

Budget Brief – DAS Internal Service Fund Summary

NUMBER CFGO-08-15

SUMMARY

Internal Service Funds (ISF) employ business practices to provide a service or product for other state and governmental agencies. Typical services include motor pools, information technology, mail processing, facility management, or other large functions that can be centrally coordinated. They are set up to take advantage of economies of scale, to avoid duplication of efforts and to provide an accounting mechanism to adequately identify the costs of certain governmental services.

In order to control the size, mission and fees charged to state agencies, the Legislature imposed statutory controls (UCA 63-38-3.5) that require ISFs to respond to the legislative budget process. No ISF can bill another agency for its services unless the Legislature has:

- Approved the ISF's budget request
- Approved the ISF's rates, fees, and other charges, and included those rates and fees in an appropriations act
- Approved the number of FTE as part of the annual appropriation process
- Appropriated the ISF's estimated revenue based upon the rates and fee structure

No capital acquisitions can be made by an ISF without legislative approval. No capital assets can be transferred to an ISF without legislative approval.

Working capital should come from the following sources in priority order: operating revenues; long-term debt; legislative appropriations.

General Fund borrowing (long-term debt) is authorized as long as the debt is repaid over the useful life of assets and borrowing does not exceed 90 percent of the ISF's capital assets.

DAS Internal Service Fund Line Items

DAS operates four ISFs that are funded by rates charged to state agencies, higher education, and local governments:

- Purchasing and General Services
- Fleet Operations
- Risk Management
- Facilities Maintenance

Figure 1: ISF - Administrative Services - Budget History

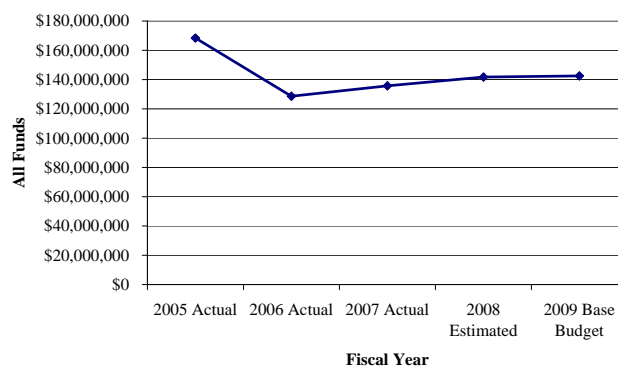


Figure 2: ISF - Administrative Services - FTE History

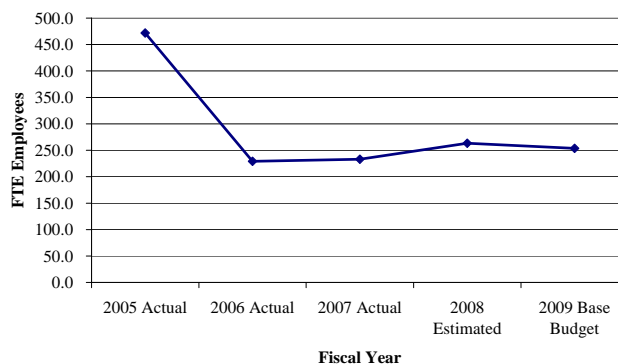
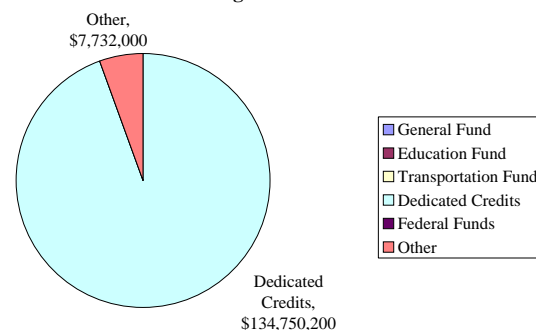


Figure 3: ISF - Administrative Services - FY 2009 Funding Mix



ACCOUNTABILITY DETAIL**General Fund Borrowing**

General Fund borrowing occurs when an agency needs cash to purchase assets to carry out its business. Examples include photocopiers and vehicles. These assets are depreciated and charged to customer agencies through the ISF's rates. Although the Legislature expresses a preference for capitalizing assets through operating funds, borrowing from the General Fund is allowed as long as the debt is repaid over the useful life of the asset and borrowing does not exceed 90 percent of the ISF's capital assets.

The table below shows General Fund debt carried by the DAS ISFs along with their working capital positions. Trends show improving financial conditions with reduced General Fund borrowing and increased working capital.

| General Fund Borrowing by DAS Internal Service Funds | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>FY 2003</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> |
| General Services: Printing | | | | | |
| Short Term GF Borrowing | \$1,639,700 | \$1,651,600 | \$1,860,200 | \$1,669,800 | \$1,806,100 |
| Long Term GF Borrowing | \$1,318,800 | \$2,279,400 | \$2,060,200 | \$1,834,700 | \$973,200 |
| Total GF Borrowing | \$2,958,500 | \$3,931,000 | \$3,920,400 | \$3,504,500 | \$2,779,300 |
| Working Capital* | (\$2,695,300) | (\$3,849,500) | (\$3,848,700) | (\$3,333,700) | (\$2,869,000) |
| 90% Value of Fixed Assets | \$2,955,000 | \$3,906,400 | \$3,725,300 | \$3,332,200 | \$2,997,200 |
| Amount (Over) Under Limit | \$259,700 | \$56,900 | (\$123,400) | (\$1,500) | \$128,200 |
| ITS (Absorbed by DTS) | | | | | |
| Short Term GF Borrowing | \$6,861,300 | \$4,291,000 | \$0 | \$0 | \$0 |
| Long Term GF Borrowing | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total GF Borrowing | \$6,861,300 | \$4,291,000 | \$0 | \$0 | \$0 |
| Working Capital* | (\$3,089,500) | (\$154,000) | \$3,714,100 | \$6,267,300 | \$0 |
| 90% Value of Fixed Assets | \$14,278,100 | \$10,979,200 | \$9,040,100 | \$10,062,100 | \$0 |
| Amount (Over) Under Limit | \$11,188,600 | \$10,825,200 | \$12,754,200 | \$16,329,400 | \$0 |
| Fleet Ops: Motor Pool | | | | | |
| Short Term GF Borrowing | \$14,264,200 | \$14,667,500 | \$14,212,100 | \$12,380,400 | \$16,241,300 |
| Long Term GF Borrowing | \$12,273,900 | \$13,454,200 | \$9,494,900 | \$7,755,600 | \$2,313,700 |
| Total GF Borrowing | \$26,538,100 | \$28,121,700 | \$23,707,000 | \$20,136,000 | \$18,555,000 |
| Working Capital* | (\$25,113,700) | (\$27,069,800) | (\$23,167,100) | (\$19,785,800) | (\$16,196,700) |
| 90% Value of Fixed Assets | \$51,505,600 | \$52,985,100 | \$49,318,700 | \$48,014,000 | \$47,195,700 |
| Amount (Over) Under Limit | \$26,391,900 | \$25,915,300 | \$26,151,600 | \$28,228,200 | \$30,999,000 |
| Fleet Ops: Fuel Network | | | | | |
| Short Term GF Borrowing | \$188,000 | \$359,800 | \$591,300 | \$2,239,800 | \$905,300 |
| Long Term GF Borrowing | \$2,864,200 | \$4,220,100 | \$2,083,300 | \$208,300 | \$0 |
| Total GF Borrowing | \$3,052,200 | \$4,579,900 | \$2,674,600 | \$2,448,100 | \$905,300 |
| Working Capital* | (\$564,300) | (\$293,500) | \$360,500 | \$2,723,200 | \$4,720,000 |
| 90% Value of Fixed Assets | \$837,300 | \$742,300 | \$656,100 | \$613,400 | \$538,000 |
| Amount (Over) Under Limit | \$273,000 | \$448,800 | \$1,016,600 | \$3,336,600 | \$5,258,000 |
| Fleet Ops: Federal Surplus Property | | | | | |
| Short Term GF Borrowing | \$10,400 | \$16,100 | \$135,900 | \$0 | \$0 |
| Long Term GF Borrowing | \$113,700 | \$106,200 | \$0 | \$0 | \$0 |
| Total GF Borrowing | \$124,100 | \$122,300 | \$135,900 | \$0 | \$0 |
| Working Capital* | (\$94,100) | (\$123,700) | (\$90,200) | \$14,100 | \$54,800 |
| 90% Value of Fixed Assets | \$358,800 | \$302,200 | \$325,400 | \$0 | \$0 |
| Amount (Over) Under Limit | \$264,700 | \$178,500 | \$235,200 | \$14,100 | \$54,800 |
| Risk Management: Insurance | | | | | |
| Short Term GF Borrowing | \$0 | \$597,800 | \$1,558,100 | \$1,159,100 | \$2,664,200 |
| Long Term GF Borrowing | \$0 | \$1,643,100 | \$85,000 | \$2,035,200 | \$0 |
| Total GF Borrowing | \$0 | \$2,240,900 | \$1,643,100 | \$3,194,300 | \$2,664,200 |
| Working Capital* | \$38,473,000 | \$39,123,500 | \$40,450,600 | \$41,133,900 | \$42,428,400 |
| 90% Value of Fixed Assets | \$73,700 | \$50,200 | \$31,600 | \$14,400 | \$0 |
| Amount (Over) Under Limit | \$38,546,700 | \$39,173,700 | \$40,482,200 | \$41,148,300 | \$42,428,400 |
| Total General Fund Borrowing | \$39,534,200 | \$43,286,800 | \$32,081,000 | \$29,282,900 | \$24,903,800 |

*Working Capital = Current Assets - Current Liabilities - Long Term GF Borrowing

The Analyst suggests that looking at trends in General Fund borrowing and Working Capital helps gauge the fiscal condition of an ISF. Total General Fund borrowing has dropped by 42 percent since FY 2004 after steadily increasing in the prior three years. Most of this decrease is attributed to reduced borrowing by Fleet Operations, but is also partly attributable to reductions by ITS as it prepared to move to the new Department of Technology Services.

Budget Detail

The predominant source of funds, Dedicated Credits – Intragovernmental Revenue, comes from charges to customer agencies. Premiums are collected by Risk Management for its insurance programs. Restricted revenue comes from Workers Compensation collections made by the Division of Risk Management.

BUDGET DETAIL TABLE

| ISF - Administrative Services | | | | | | |
|-------------------------------------|----------------------|-------------------------|--------------------|----------------------|----------------------|-------------------------|
| Sources of Finance | FY 2007 Actual | FY 2008 Appropriated | Changes | FY 2008 Revised | Changes | FY 2009* Base Budget |
| Premiums | 26,804,200 | 27,541,000 | (249,400) | 27,291,600 | (243,000) | 27,048,600 |
| Interest Income | 3,145,700 | 2,760,000 | 743,600 | 3,503,600 | 108,100 | 3,611,700 |
| Dedicated Credits - Intragvt Rev | 95,516,600 | 96,240,200 | 6,768,100 | 103,008,300 | 1,081,500 | 104,089,800 |
| Sale of Fixed Assets | 552,300 | 600,000 | (42,200) | 557,800 | (557,800) | 0 |
| Restricted Revenue | 8,364,000 | 8,300,000 | (936,000) | 7,364,000 | 368,000 | 7,732,000 |
| Pass-through | 0 | 0 | 100 | 100 | 0 | 100 |
| Total | \$134,382,800 | \$135,441,200 | \$6,284,200 | \$141,725,400 | \$756,800 | \$142,482,200 |
| Line Items | | | | | | |
| ISF - Purchasing & General Services | 13,811,300 | 13,002,900 | 956,200 | 13,959,100 | 273,900 | 14,233,000 |
| ISF - Fleet Operations | 61,671,700 | 61,131,300 | 3,425,400 | 64,556,700 | (1,052,600) | 63,504,100 |
| ISF - Risk Management | 38,313,500 | 38,601,000 | (441,800) | 38,159,200 | 233,100 | 38,392,300 |
| ISF - Facilities Management | 20,586,300 | 22,706,000 | 2,344,400 | 25,050,400 | 1,302,400 | 26,352,800 |
| Total | \$134,382,800 | \$135,441,200 | \$6,284,200 | \$141,725,400 | \$756,800 | \$142,482,200 |
| Categories of Expenditure | | | | | | |
| Personal Services | 13,005,100 | 14,227,500 | 965,500 | 15,193,000 | 63,700 | 15,256,700 |
| In-State Travel | 54,400 | 40,100 | 16,800 | 56,900 | 400 | 57,300 |
| Out of State Travel | 37,300 | 44,800 | 11,100 | 55,900 | 2,200 | 58,100 |
| Current Expense | 99,709,500 | 105,311,300 | 3,596,700 | 108,908,000 | 1,687,000 | 110,595,000 |
| DP Current Expense | 1,196,700 | 1,196,100 | 144,100 | 1,340,200 | (400) | 1,339,800 |
| Other Charges/Pass Thru | 863,300 | 29,200 | 479,800 | 509,000 | (451,400) | 57,600 |
| Operating Transfers | 3,706,100 | 0 | 4,000,000 | 4,000,000 | (4,000,000) | 0 |
| Depreciation | 12,922,500 | 15,456,400 | (1,851,400) | 13,605,000 | 936,200 | 14,541,200 |
| Total | \$131,494,900 | \$136,305,400 | \$7,362,600 | \$143,668,000 | (\$1,762,300) | \$141,905,700 |
| Other Data | | | | | | |
| Budgeted FTE | 238.4 | 241.5 | 22.0 | 263.5 | (10.0) | 253.5 |
| Actual FTE | 231.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Authorized Capital Outlay | 14,467,700 | 18,460,000 | 0 | 18,460,000 | (616,200) | 17,843,800 |
| Retained Earnings | 20,210,000 | 10,786,400 | 6,474,500 | 17,260,900 | 456,000 | 17,716,900 |
| Vehicles | 136 | 176 | (37) | 139 | 10 | 149 |

*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.